

Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 OIC-04 /155 R

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EA/ PHL: TWALSH

L/ EB: DBURNS

STR: BSTEINBOCK

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R 170132 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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E. O. 11652: N/ A

TAGS: EAGR, ETRD, US, RP

SUBJ: COPRA- PROPOSED REVISION OF EXPORT TAX LAW

REF: MANILA 3774

1. EMBASSY REQUESTED CONTINUE REPRESENTATIONS DESCRIBED
PARA 4 REFTEL AND TO EXPAND ARGUMENTS BEING USED ALONG
FOLLOWING LINES.

2. PROPOSED CHANGES IN EXPORT TAX LAW ARE OF PARTICULAR
CONCERN TO USG IN THAT INJURY WHICH US PROCESSORS EXPECT
TO RESULT FROM THE PROPOSED CHANGES WILL BE SEEN TO BE A
DIRECT RESULT OF THE PREFERENTIAL TREATMENT AFFORDED THE
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PHILIPPINES UNDER THE LAUREL- LANGLEY AGREEMENT. BY PROVIDING PREFERENTIAL (DUTY FREE) ACCESS TO PHILIPPINE COPRA, US HAS ENCOURAGED US CRUSHERS TO DEPEND ON THIS SOURCE OF SUPPLY AT LEAST FOR THE DURATION OF THE AGREEMENT. THE PROPOSED CHANGES IN THE EXPORT TAX LAWS ARE EXPECTED TO SHUT OFF THESE SUPPLIES. AT THE SAME TIME, PREFERENTIAL (LOW DUTY) ACCESS TO THE US MARKET FOR PHILIPPINE COCONUT OIL PROVIDED FOR BY THE LAUREL- LANGLEY AGREEMENT MAY MAKE IT ECONOMICALLY UNFEASIBLE FOR US PROCESSORS TO PRODUCE COMPETITIVELY PRICED OIL FROM NON- PHILIPPINE COPRA, WHICH IS SUBJECT TO INTERNAL TAX (DUTY) UNTIL AGREEMENT EXPIRES NEXT YEAR, PURSUANT TO ARTICLE IV:5 OF LAUREL- LANGLEY. THUS, THE PROPOSED CHANGES IN THE EXPORT TAX, IN COMBINATION WITH THE

PREFERENTIAL PROVISIONS OF THE LAUREL- LANGLEY AGREEMENT, MAY HAVE THE EFFECT OF PREVENTING US IMPORTS OF COPRA FROM ANY SOURCE. US THEREFORE REQUESTING GOP TO TAKE INTO ACCOUNT UNIQUE PROBLEMS FACING US PROCESSORS AS POSSIBLE RESULT OF COMBINATION OF PROPOSED TAX CHANGES AND OPERATION OF LAUREL- LANGLEY AGREEMENT.

3. EMBASSY SHOULD ALSO REMIND GOP THAT FOREIGN TRADE SYSTEM OF PHILIPPINES WILL BE EXAMINED CLOSELY IN CONNECTION WITH PHILIPPINES REQUEST FOR PROVISIONAL ACCESSION TO GATT AND THEREFORE IT IN GOP' S OWN INTEREST TO MINIMIZE ACTIONS WHICH MAY BE VIEWED AS DISTORTING TRADE. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE071098
Document Source: CORE
Document Unique ID: 00
Drafter: RHKNICKMEYER: JV
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730447/aaaaitdh.tel
Line Count: 96
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by shawdg>; APPROVED <22 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980126
Subject: COPRA- PROPOSED REVISION OF
TAGS: EAGR, ETRD, RP, US
To: MANILA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005